Confidential

MEMORANDUM

On the Pacific Cable and the Telegraph Service of the Empire. Respectfully submitted for the information and consideration of Members of the Coronation Conference

By Sir SANDFORD FLEMING.

1. In the Canadian Parliament a few weeks ago, the Honourable William Mulock, Postmaster General, informed the members that a complication, prejudicial to Canadian interests, had arisen in connection with the Pacific Cable.

2. Although this complication is distinctly traceable to the pronounced hostility to the Pacific Cable of the Eastern Extension and associated telegraph companies, its immediate cause is due to the action of the Government of New South Wales in granting to the companies concessions materially affecting the financial outlook of the Pacific Cable scheme.

3. On December 31, 1900, the contract for establishing the Pacific Cable was formally executed on behalf of the Home Government, the Governments of Canada, New South Wales, Victoria, Queensland and New Zealand. Sixteen days afterwards the Government of New South Wales, without the consent of the five other Governments in the partnership arrangement or any of them, granted the telegraph companies under a formal agreement the concessions referred to. This agreement cannot be rescinded unless by mutual consent, and as the Post and Telegraph service has since the date of the agreement been transferred to the Commonwealth of Australia, New South Wales, even if she so desired, has not now the power to set aside her own act. The power has passed from her, and the Government of the Commonwealth as the inheritor of the act, is bound by the agreement.

4. When in Australia last year Mr. Mulock had frequent interviews with the Right Honourable Edmund Barton, Premier of the Commonwealth, by whom he was made aware of the peculiar circumstances of the case. Mr. Barton and his government were placed in an extremely difficult position, for if the Commonwealth inherits the particular Act referred to of New South Wales, it likewise inherits the responsibilities assumed by each of the three Australian States, Victoria, Queensland and New South Wales, when they entered into the Pacific Cable arrangement. If, therefore, the agreement with the telegraph company cannot be changed, the moral obligations inseparable from the partnership agreement of an earlier date, resting on all the partners, are still more irrevocable.

5. Mr. Mulock informed the Canadian House of Commons that Mr. Barton recognized it to be the duty of the Commonwealth, while adhering to the agreement of New South Wales with the telegraph company, to live up to the spirit of the Pacific Cable agreement, and that he earnestly desired to see an honourable way out of the grave difficulty to which his government had fallen heir.

6. As already stated, the difficulty is directly traceable to the Eastern Extension and Associated Telegraph Companies. These companies have combined to thwart the efforts of the governments concerned in establishing the Pacific Cable. It cannot be said that those in the combination are inspired by lofty ideals or patriotic sentiments. They are governed entirely by considerations of private interest, and, in order to accomplish their ends, they are bent on controlling all the over-sea lines of telegraph to Australia and New Zealand. There are good grounds for the belief that they aim to control even the Pacific Cable itself. As will hereafter be pointed out they have entered on a crusade which may so seriously affect the financial success of that undertaking as to develop a feeling against the policy of working it by the State, in order that its control may fall into their own hands. As the danger apprehended is imminent the public interests will best be served by recalling and considering the facts. Possibly a knowledge of them may open up an honourable way out of the difficulty, acceptable to the Commonwealth of Australia, and to which each of the other partners in the Pacific Cable contract may yield a ready assent.

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7. At the Colonial Conference held in London in 1887 the delegates discussed at some length various matters bearing on the telegraphs of the Empire. Again, in 1894, at the Ottawa Conference the discussions were renewed. At innumerable meetings of Chambers of Commerce, Empire Leagues and other associations the subject has again and again been considered. In the interval which has elapsed, the project of a British Empire telegraph service has been steadily developing. Its outline was submitted in a communication to the Secretary of State for the Colonies, dated October 28, 1898, and the main features of the scheme therein set forth may be described as one unbroken chain of State-owned telegraphs around the globe, touching or traversing all the great British possessions so as to bring each of them into direct electric touch with the mother country and with each other. In this manner Canada, New Zealand and Australia, India, South Africa, and the United Kingdom would be brought within the same electric circle. An essential feature of the scheme laid down is that no part of the system should touch foreign soil, and that the cables should each and all avoid shallow seas, in proximity to any country likely at any time to prove unfriendly. The route of the telegraph was more precisely described as extending from London to Canada, through Canada to Vancouver, from Vancouver to New Zealand and Australia, thence to Perth in Western Australia, from Perth to South Africa with a branch from Cocos Island to India; from Capetown it was designed to extend to Bermuda, touching at St. Helena, Ascension, and Barbadoes; at Bermuda a choice of routes to England would be opened for selections. It might cross the Atlantic direct or as an alternative extend northerly to a suitable point of junction with the State line between Canada and England.

8. Such a telegraph girdle of the globe would constitute a means of connecting all His Majesty's great possessions and nearly all the naval coaling stations with each other and with the Imperial centre in London. The sub-ocean connections would be deep sea cables in the least vulnerable position, and it may be added that the system would possess an advantage peculiar to a globe encircling line of telegraph, each point touched would be telegraphically connected with every other point by two distinct routes extending in opposite directions. This feature possesses special value and in practice would prove the best security against interruptions from whatever cause.

9. Since 1898, when the scheme was promulgated, progress has been made in its development: (1) a state-owned cable from Canada to New Zealand and Australia is on the eve of completion, and (2) a cable has been laid across the Indian Ocean from Australia to South Africa. The latter is, however, a private undertaking, from which have sprung the complications which perplex the Government of the Commonwealth of Australia. On this point a brief explanation is called for.

10. It is well known that the telegraph companies have from the first placed themselves in opposition to the Imperial telegraph scheme and have employed every conceivable means to stifle the proposal to establish a Pacific Cable.

One main reason for their hostility to the Pacific Cable lies in the fact that it forms the most important section of the larger proposal, and that the Canadian route is absolutely the only route by which the globe may be girdled by a chain of all-British cables, the proposal to which they are so strongly opposed. When it became known that the six Governments concerned had resolved to establish the Pacific Cable, the telegraph companies combined and determined to adopt drastic measures in order to defeat the new State policy. They saw plainly that a State-owned cable across the Pacific would speedily lead to similar cables across the Indian and Atlantic Oceans. Accordingly they arranged to preoccupy the ground by laying a private cable on the precise route which had previously been projected in the Indian, and partly in the Atlantic Ocean for the State-owned line. Moreover, they made tempting overtures to the Governments of the Australian colonies, offering to reduce the burdensome telegraph charges hitherto exacted, provided these Governments granted them certain concessions; which concessions it was believed would enable the combined companies to ruin the commercial value of the Pacific Cable. There is likewise evidence to show that the cable combine took means to invoke the powers of the press to influence public opinion in their

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favour. Unfortunately the then Government of New South Wales listened to the overtures and granted what the companies asked for.

11. These in a few words are the circumstances which have led to the difficulty referred to by Mr. Mulock. There is a collision of interests, private on the one hand, public and imperial on the other. The cable companies looking to private rather than public interests, adopted a bold and aggressive policy. If they succeed in their designs they will hold firmly within their grasp the most important telegraph lines of the Empire. A condition of things pregnant with danger ; for it must not be forgotten that the property. the privileges and the powers of companies are transferable by purchase. We are not unfamiliar with such transfers, and we may ask ourselves the question "What would prevent a syndicate of German, French or United States stock operators buying up the controlling power of the Eastern group of cables ? What would prevent the controlling power of the whole telegraph system of the southern hemisphere passing into foreign hands ? What would prevent the cables of the Empire being alienated at the most critical moment ? "

12. The mere possibility of such a thing can scarcely be regarded with equanimity. The question raised is of vital importance to British people everywhere. Obviously the obligation to safeguard the public interest in the matter of telegraph communications is thrown on the Government of the British family of nations, and at this juncture on no single government more than on that of the great Commonwealth of Australia.

13. In November, 1900, an Inter-Departmental Committee was appointed by the Home Government to inquire into the subject of telegraphic connections, Lord Balfour, of Burleigh, being chairman. The committee reported a few weeks ago and the points specially referred to in the report which have a bearing on the matter now being considered are as follows :—

(1.) The Committee are strongly opposed to the general purchase of cables by the State.

(2.) The Committee are of opinion that every important colony or naval base should be connected with the United Kingdom by one cable touching on British territory, or on the territory of some friendly neutral.

(3.) A variety of alternative routes should be provided wherever it is essential to secure telegraphic communication in time of war.

(4.) The normal policy should be to encourage free trade in cables. Exceptions should only be made to this rule on the ground of national, not of private interests.

14. These are the principal conclusions reached by the Committee and it will be observed that not one of them conflicts with the proposal formulated in October, 1898. With respect to the first point in the above list, the general purchase of cables by the state formed no part of the proposal then submitted. The proposal was not to purchase old cables, but to supplement them by establishing a sufficient number of new lines touching only British territory to connect every important colony with the mother country. This part of the proposal is in complete harmony with the recommendation of the Committee, with this difference, their recommendation is indefinite with respect to the number of cables, and may be understood to mean many cables that is to say a separate and distinct cable from each colony to the United Kingdom. The proposal of 1898 is precise and clear. Its main feature is to have the greater Colonial possessions connected with each other and the mother country by one continuous chain of cables constituting an all-British telegraph around the Globe. Importance is attached to this proposal in the interest of economy as it would secure every advantage with the least outlay. Moreover, the continuity of the cables, so as to form an electric ring around the earth would in practice be the best security against interruption in the transmission of messages ; as when a break would occur at any point there would remain an alternative route in the opposite direction.

15. It is not necessary to dwell upon the enormous importance of having the Globe girdled by an all-British State-owned telegraph, as its advantages are self-evident. When the proposal was made known in December, 1898, the British and Colonial press with extraordinary unanimity expressed generally the opinion that the advantages to result are incontrovertible; that nothing would tend more to quicken a sense of unity and solidarity throughout the Empire; that at all times it would place it in the power of the governments to regulate and moderate the rates for the transmission of messages between all the countries served; that the immediate effect would be to facilitate inter course and foster trade, not only between the mother country and the colonies but between the colonies themselves.

16. One essential point to be insisted on, is, that the Imperial telegraph girdle must be absolutely State controlled, in order that the main lines of communication of the Empire be placed beyond the possibility of interference by trusts and combines, that is to say that they shall remain inviolably British.

17. The expenditure involved would be considerable, but it is far outweighed by the incalculable benefits to result. The original estimate of expenditure required to establish such a telegraph girdle around the Globe was from £5,000,000 to £6,000,000, but this included the Pacific Cable which will cost close on £2,000,000. The Pacific Cable will shortly be completed. To provide and lay the remaining cables not far short of £4,000,000 will be required.

18. The foregoing paragraphs relate in brief detail the causes which have led to the complications which have arisen in Australia, and point out the inevitable outcome of the designs of the cable companies if they are allowed to go unchecked. The gravity of the peril has been indicated and it is of such a character as to demand decisive action on the part of the governments concerned.

19. Although the complications referred to by Mr. Mulock in the Canadian House of Commons had their origin in Australia, the question raised is not limited to that country. The antagonists of an Imperial system of cables conspired to defeat it, they played what from their own standpoint might be regarded as a master-stroke. This action has, however, brought forward an Imperial question of vital importance, in which we are all concerned, and the issues at stake are such that it is in the last degree inexpedient to place it in the power of any man, or syndicate of men, to gain control of the nervous system of this great Oceanic Empire.

20. We have a common interest in a common object. We have a common interest in seeing that a gigantic cable combination shall not be fastened on the British people to handicap commerce and retard general progress, and still more are we all interested in seeing that it shall not remain as a menace to the security of the Empire.

21. The problem presented is of the first importance, and the solution of it rests with the statesmen from the self-governing parts of the Empire, to be assembled at the Coronation Conference. It can undoubtedly be solved by following the same policy as that adopted in the establishment of the Pacific Cable, that is to say by a partnership arrangement in which all will unite for the common good.

22. Our common object is the freest intercourse, and this object can best be attained by linking together all the great outposts of the Empire precisely as Canada, New Zealand and Australia, are now being brought into close relationship by means of the Pacific Cable. The Imperial telegraph system will embrace in its circuit round the globe three great oceans. Of these the Pacific will have its opposite shore telegraphically united in a few months. Then will remain the Indian and Atlantic oceans to be traversed by nationalized cables. This the crowning achievement will cost in round figures, £4,000,000, an insignificant expenditure of capital, in view of the immensely important results to be attained. It would do more for the Empire as a whole than twenty times the amount, spent in any other way whatever. It would set at rest the difficulty which has been caused in Australia. It would place the telegraph service of

the Empire on a secure and satisfactory basis, and render alienation of the leading cables impossible. It would be a fresh tie between all the great colonies and the mother land of great practical utility ; it would minimize transmission charges and prodigiously increase the volume of telegraphic intercourse ; it would benefit trade, vitalise the spirit of patriotism and strengthen the sentiments which constitute the most enduring foundation on which the Empire of the future can be built up. The circumstances are such, and the benefits so many and so great, that whatever the cost, the Pan-Britannic telegraph service should as speedily as possible be carried to completion.

23. The establishment of such a service would affect the existing companies. The national telegraph encircling the globe would become the main or trunk line of communication between the great self-governing portions of the Empire. The existing private cables would to a large extent assume the position of branches to the trunk line and as such would find employment in general and especially in international traffic. The charges for transmission by the trunk line would be lowered to a minimum so as merely to cover cost of operating, interest and maintenance, and as a consequence the business would be immensely increased. The companies would gain by the increase and likewise by the reduced charges on the main line, as they would thus be supplied with much profitable business for general dissemination.

24. The private cables were for the most part established with commendable enterprise many years ago. They received generous government assistance. They have done useful pioneer work, and this work has already yielded to the enterprising investors rich returns. The time has come, however, when circumstances demand a change. It has become a matter of public expediency that the State should control an unbroken line of telegraph established for the safety and well-being of the Empire. It is possible, therefore, that the companies may have to rest content with more moderate gains than hitherto, at least until there be a new development of business under the changed conditions. That a development of telegraph business beyond all ordinary conception will result from the establishment of the Imperial service there can be no doubt whatever.

25. In the event of a determination being reached to complete the Imperial telegraph service, before proceeding to lay a State cable across the Indian Ocean the companies should be given the option to transfer, at a fair price, the private cable recently laid by them between Australia and South Africa, and arrangements should likewise be made to connect the Cape with the United Kingdom by a State owned cable. These with the Pacific Cable will complete the globe encircling telegraph line, designed to link together the trans-marine homelands of the British people on the five continents. It will prove an Imperial service in every sense. It will greatly promote the commercial and industrial well-being of all the parts. It will strengthen their relationship, and enable the whole fabric the better to withstand any stress or strain which the future may bring.

There is a rapidly growing desire on the part of the British people, everywhere, to strengthen the ties and multiply the links which unite the mother nation with the daughter states. This feeling of attachment prevails in Australia and New Zealand. It is especially marked in Canada, and the writer feels himself warranted in expressing the foregoing views on behalf of Imperial minded Canadians. Their name is legion, and they are prompted only by one spirit. Their ardent desire is to join cordially and actively in building up the Empire on an enduring basis that it may long continue to confer benefits on the human race.

Ottawa, June 14, 1902.